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ANNUAL STATEMENT

For the Year Ending December 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY

NAIC Group Code 0000 (current period), 0000 (prior period) NAIC Company Code 67032 Employer's ID Number 56-0340860

Organized under the Laws of North Carolina, State of Domicile or Port of Entry NORTH CAROLINA

Country of Domicile United States of America

Incorporated/Organized 02/28/1899 Commenced Business 04/01/1899

Statutory Home Office 411 W. Chapel Hill Street (Street and Number), Durham, NC 27701-3616 (City or Town, State and Zip Code)

Main Administrative Office 411 W. Chapel Hill Street (Street and Number)

Durham, NC 27701-3616 (City or Town, State and Zip Code) (919) 682-9201 (Area Code)(Telephone Number)

Mail Address 411 W. Chapel Hill Street (Street and Number), Durham, NC 27701-3616 (City or Town, State and Zip Code)

Primary Location of Books and Records 411 W. Chapel Hill Street (Street and Number)

Durham, NC 27701-3616 (City or Town, State and Zip Code) (919) 682-9201 (Area Code)(Telephone Number)

Internet Website Address ncmutuallife.com

Statutory Statement Contact Kamlesh Shah (Name) (919) 313-7807 (Area Code)(Telephone Number)

kshah@ncmutuallife.com (E-Mail Address) (919) 313-8723 (Fax Number)

PRINCIPAL OFFICERS***

President and Chief Executive Officer	JAMES HERBERT SPEED JR., CPA
Senior Vice President–Chief Operating Officer	RICHARD LEE HALL
Sr. Vice President of Administration/Human Resources	GRACIE ANN JOHNSON-LOPEZ, SPHR
Vice President–Accounting Services	DAVID ALAN BAYLOCK
Vice President-Corporate Actuary	STAFFORD LEROY THOMPSON, JR, FSA, MAAA
Vice President-Group Marketing	ARTHELL DAMON DAVIS
Vice President-Individual Marketing	RONALD RUSSELL CORLEW

DIRECTORS***

CAROL MOSELEY BRAUN	ERSKINE BOYCE BOWLES	JULIUS LEVONNE CHAMBERS
BERT COLLINS, Chairman	JOE LOUIS DUDLEY, SR.	NATHAN TAYLOR GARRETT, SR.
ELLIOTT SAWYER HALL	JAMES HERBERT SPEED, JR.	THEODORE WALSTEIN LONG, JR.
PHAIL WYNN JR. #		

State of North Carolina

County of Durham ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
James Herbert Speed, Jr.	Richard Curtis Barnes	David Alan Baylock
(Printed Name) 1.	(Printed Name) 2.	(Printed Name) 3.
President, CEO	Corporate Secretary	Vice President - Accounting Services
(Title)	(Title)	(Title)

Subscribed and sworn to before me this

______ day of February , 2009

(Notary Public Signature)

a. Is this an original filing? Yes [X] No [ ]

b. If no:
1. State the amendment number ______
2. Date filed ______
3. Number of pages attached ______

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Management's Discussion and Analysis

INTRODUCTION

This discussion provides an assessment by management of the current financial position, results of operations, cash flows and liquidity, and changes in financial position for North Carolina Mutual Life Insurance Company (North Carolina Mutual or the Company) as of and for the year ended December 31, 2008 as compared to and with 2007. Information presented in this discussion supplements the financial statement exhibits, schedules and disclosures in the 2008 Annual Statement. The basic financial statements included within our 2008 Annual Statement were prepared in accordance with the statements of statutory accounting principles found in the National Association of Insurance Commissioners Accounting Practices and Procedures Manual effective March 2008.

This Management's Discussion and Analysis of Financial Position and Results of Operations contains statements which constitute forward-looking statements including statements relating to the trends in operations and financial results and the business and products of North Carolina Mutual as well as other statements including words such as "anticipate", "believe", "plan", "estimate", "expect" and other similar expressions. Forward looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such forward-looking statements are not guarantees of future performance.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

For the year ended December 31, 2008, net admitted assets totaled $159.4 million, an increase of $26.7 million, liabilities totaled $149.9 million, an increase of $30.2 million, and surplus totaled $9.5 million, a decrease of $3.5 million from prior year end.

Introduction

During 2008, the Company acquired a closed block of premium paying policies from Booker T. Washington and Universal Life Insurance Company (collectively "BTW") effective January 1, 2008. These policyholders are primarily African Americans and consists of individual industrial and ordinary whole life and term policies consistent with our primary policyholders. The Company retains 10% of this business with right to recapture this business in the future. This transaction had a significant impact on the Company's financial position and operations including increased reserves, face amounts, and additional policies to administer. A significant portion of this premium was still considered debit whereby premiums were collected door-to-door or via walk-ins to a district office. Our primary focus has been to convert all business to mail pay or direct draft and we anticipated $1.5 million in first year conversion cost. In addition to increasing our profitability, this transaction also strengthened our market share in the South, expanded our captive agency force and provides the Company with the ability to better utilize existing capacity by administering the block.

Assets

During 2008, bonds increased significantly due to the BTW acquisition as the Company reinvested the funds received from BTW to cover future payouts on acquired policies. Similarly, the increase in policy loans reflects loans associated with the BTW policies. We continue to believe that our church lending program provides a positive risk-adjusted spread to the 10-year Treasury benchmark as well as generate current fee income. We are pleased with the continuing traction that we are seeing in the marketplace through this important African-American "Center of Influence". While no new residential mortgages were issued during 2008, we did foreclose and are in the process of foreclosing on properties that have become severely delinquent. Our review indicates that the fair value of these properties less a reasonable estimate of costs to foreclose mostly exceeds any loan balance on our books at year end.

Investment income due and accrued was essentially flat. Uncollected premiums of $6.8 million decrease by $1.6 million due to the termination of a large group dental program at the end of 2007. This decrease reflects the final payment of amounts due that was collected in early 2008.

Liabilities

The increase in policy reserves of $29.6 million is associated with the BTW acquired policies. Contact claims for A&H policies decreased due to the previously mentioned terminated group dental program.

Capital and Surplus

Management's Discussion and Analysis

Surplus decreased by $3.5 million during 2008, primarily due to a net operating loss of $4.4 million that was partially offset by decreased nonadmitted assets, excluding the deferred tax asset change, of $1.3 million. This consisted primarily of reductions in a large nonadmitted Note Receivable as a result of collections and other allowable offsets combined with the impact of the Company entering into a sale-leaseback of its IT related assets.

The Company's level of regulatory capital deteriorated during 2008 due to the net operating loss and the late year addition of certain group life accounts with large face value premiums. Authorized Control Level Risk Based Capital was $4.5 million in 2008 and the Company's Risk Based Capital ("RBC") ratio was 230% as of December 31, 2008 which created a Regulatory Action level event. The Company is required to submit a plan of compliance to the North Carolina Department of Insurance prior to April 15, 2009.

The Company has spent a significant amount of time analyzing each line of business to assess profitability as it relates to cost of capital and has identified several opportunities to better manage our capital thresholds while continuing our efforts to return to profitability in 2009. These opportunities include the withdrawal from a service employees' program which has produced marginal profit margins over the years. Due to the large aggregate face amount of the policies associated with these policies, we estimate that exiting this program will increase our RBC ratio by approximately 22 points assuming an otherwise stable capital position.

Secondly, our large group life accounts performed poorly in 2008 as this industry produced extremely thin profit margins across the industry in 2008. The significant amount of face value on these policies requires significant capital while producing nominal gains and, in some cases, significant losses. In an effort to better manage this portion of our capital needs, we are seeking to secure reinsurance on a significant portion of this risk and, when implemented, would result in an approximate improvement to our RBC ratio of 44 points, again assuming an otherwise stable capital position.

The company has other efforts directed towards increasing absolute capital, reducing our required capital levels and returning to profitability that we feel, when combined with the items mentioned above, will significantly improve our overall capital position and return us to a level of capital well in excess of the regulatory required amounts.

RESULTS OF OPERATIONS

For the year, the Company reported a net loss of $4.4 million, a $1.6 million decrease from 2007's net loss of $2.8 million. The 2007 results reflected several significant non-recurring items; a $1.0 million deferred gain from the sale of the home office building in December 2006, a $.5 million gain from the sale of a portion of the Company's interest in Piedmont Investment Advisors, LLC. which reduced its ownership to 10% and $1.7 million of one-time expenses associated with early retirement ("ER") and reduction-in-force ("RIF") initiatives that occurred in late 2007. Additionally, the Company experienced adverse results in its participation in the Federal Employees Government Life Insurance ("FEGLI") program which produced a ($0.4) loss in 2008 compared to a $1.0 million gain in 2007.

(in millions)	2008	2007
Net Loss as reported	(4.4)	(2.8)
- Deferred gain – building sale		(1.0)
- Piedmont sale		(0.5)
- ER/RIF costs		1.7
- FEGLI	0.4	(1.0)
Net loss for nonrecurring items	(4.0)	(3.6)

The Company reported a net loss from operations of $4.5 million, a $200,000 decrease from 2007. In addition to those items mentioned above, the Company also reduced its general and administrative costs by approximately $2.2 million from 2007, including but not limited to lower personnel and related costs, a better utilization of physical space and an overall focus on cost reduction efforts company-wide. These savings were somewhat offset by losses in the group life and A&H segments as this sector of our business faced many of the same challenges experienced by other insurance companies during the 2008 economic downturn.

Net premiums decreased from $46.7 million in 2007 to $37.3 million in 2008. The decrease in premiums is primarily attributable to the loss of the group dental program which was offset by new retained premiums

Management's Discussion and Analysis

related to the BTW acquisition. Our core individual business experienced a slight decrease in net premiums as compared to the prior year.

Net investment income increased from $6.4 million in 2007 to $7.5 million in 2008 as a result of investing funds received relating to the BTW acquisition. The increase in commissions, expense allowances and other income as well as changes in reserves all reflect the net results of the BTW acquisition. Benefits decreased by $9.7 million to $28.2 million primarily as a result of the termination of the group dental program.

Operating expenses of $27.0 million includes a $6.8 million expenses related to the BTW acquisition. Excluding the $6.8 million, expenses of $20.2 million decreased by $6.6 million as compared to $26.8 million during 2007. This was primarily due to the results of cost reduction efforts related to general and administrative expenses and lower costs

CASH FLOW AND LIQUIDITY

Cash and short-term investments increased by $5.2 million in 2008 to $12.2 million. Total net cash from investments of ($22.3 million) reflects the reinvesting of funds received as part of the BTW transaction. Cash and liquidity are sufficient to meet the Company's anticipated current short-term operational and growth cash needs. In addition to the $12.2 million of available cash and short-term investments, $xxx,xxx of the carrying value of the investment in bonds represents scheduled maturities within 2009. The Company does not currently have any material commitments for capital expenditures. In addition to the resources described above, the Company intends to pursue other sources of capital to fund its long-term growth strategies and continue to examine operating expenses in order to identify additional savings through process improvements and technological advancements.

Management's Discussion and Analysis

SUMMARY OF ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2008 AND 2007

	2008		2007		Inc/(Dec) for Year	
	Amount	% of Total	Amount	% of Total	Variance	% of Change
Cash and short-term investments	$12,170,662	7.63%	$6,931,060	5.22%	$5,239,602	75.60%
Bonds	103,112,427	64.68%	84,083,332	63.35%	19,029,095	22.63%
Common Stocks	1,017,843	0.64%	869,923	0.66%	147,920	17.00%
Mortgage Loans	12,661,732	7.94%	11,593,029	8.73%	1,068,703	9.22%
Loans to Policyowners	6,393,810	4.01%	4,955,389	3.73%	1,438,421	29.03%
Other Invested Assets	671,669	0.42%	167,009	0.13%	504,660	302.18%
Total Invested Assets	136,028,143	85.33%	108,599,742	81.82%	27,428,401	25.26%
Premiums and Investment Income Due or Accrued	6,801,485	4.27%	8,411,160	6.34%	($1,609,675)	-19.14%
Cash Value - Policies on Officers	8,530,524	5.35%	8,265,212	6.23%	$265,312	3.21%
Amounts Recoverable from Reinsurers	7,903,115	4.96%	7,011,151	5.28%	$891,964	12.72%
Other Assets	147,618	0.09%	445,457	0.34%	($297,839)	-66.86%
Total Assets	**$159,410,885**	**100%**	**$132,732,722**	**100%**	**$26,678,163**	**20.10%**
Policy Reserves	$125,949,547	84.01%	$96,346,689	80.45%	29,602,858	30.73%
Claim Reserves	8,459,402	5.64%	8,895,070	7.43%	(435,668)	-4.90%
Deposit Type Fund and Policyholder Dividends	3,274,951	2.18%	3,248,147	2.71%	26,804	0.83%
Premiums Received in Advance	222,315	0.15%	206,587	0.17%	15,728	7.61%
Funds Held	5,801,450	3.87%	3,626,334	3.03%	2,175,116	59.98%
Commissions to agents due and accrued	375,293	0.25%	187,015	0.16%	188,278	100.68%
Amounts Due or Accrued	891,819	0.59%	1,030,461	0.86%	(138,642)	-13.45%
Amounts withheld or retained by company	(144,835)	-0.10%	739,242	0.62%	(884,077)	-119.59%
Remittances and Items not Allocated	441,136	0.29%	448,648	0.37%	(7,512)	-1.67%
Liability for Benefits for Emp. and Agents	3,958,985	2.64%	4,049,660	3.38%	(90,675)	-2.24%
Asset Valuation Reserve	608,371	0.41%	746,399	0.62%	(138,028)	-18.49%
Other Liabilities	77,400	0.05%	236,996	0.20%	(159,596)	-67.34%
Total Liabilities	149,915,834	100.00%	119,761,248	100.00%	30,154,586	25.18%
Surplus	9,495,051		12,971,474		(3,476,423)	-26.80%
Total Liabilities and Surplus	**$159,410,885**		**$132,732,722**		**$26,678,163**	**20.10%**

Management's Discussion and Analysis

SUMMARY OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31, 2008 AND DECEMBER 31, 2007

	2008	2007	Variance
Premiums and Annuity Income	$37,311,837	$46,746,296	($9,434,459)
Net Investment Income and IMR	7,541,515	6,395,470	1,146,045
Commissions, Expense Allowances and Other Income	35,696,537	6,562,379	29,134,158
Total Income	80,549,889	59,704,145	20,845,744
Benefits	28,160,361	37,917,852	(9,757,491)
Change in Reserves	29,379,771	(1,167,253)	30,547,024
Operating Expenses	27,021,083	26,817,557	203,526
Total Expenses	84,561,215	63,568,156	20,993,059
Income (Loss) from operations	(4,011,326)	(3,864,011)	(147,315)
Divends to Policyholders	(522,764)	(429,801)	(92,963)
Realized Capital Gains	124,265	1,455,960	(1,331,695)
Net Income (Loss)	**($4,409,825)**	**($2,837,852)**	**($1,571,973)**